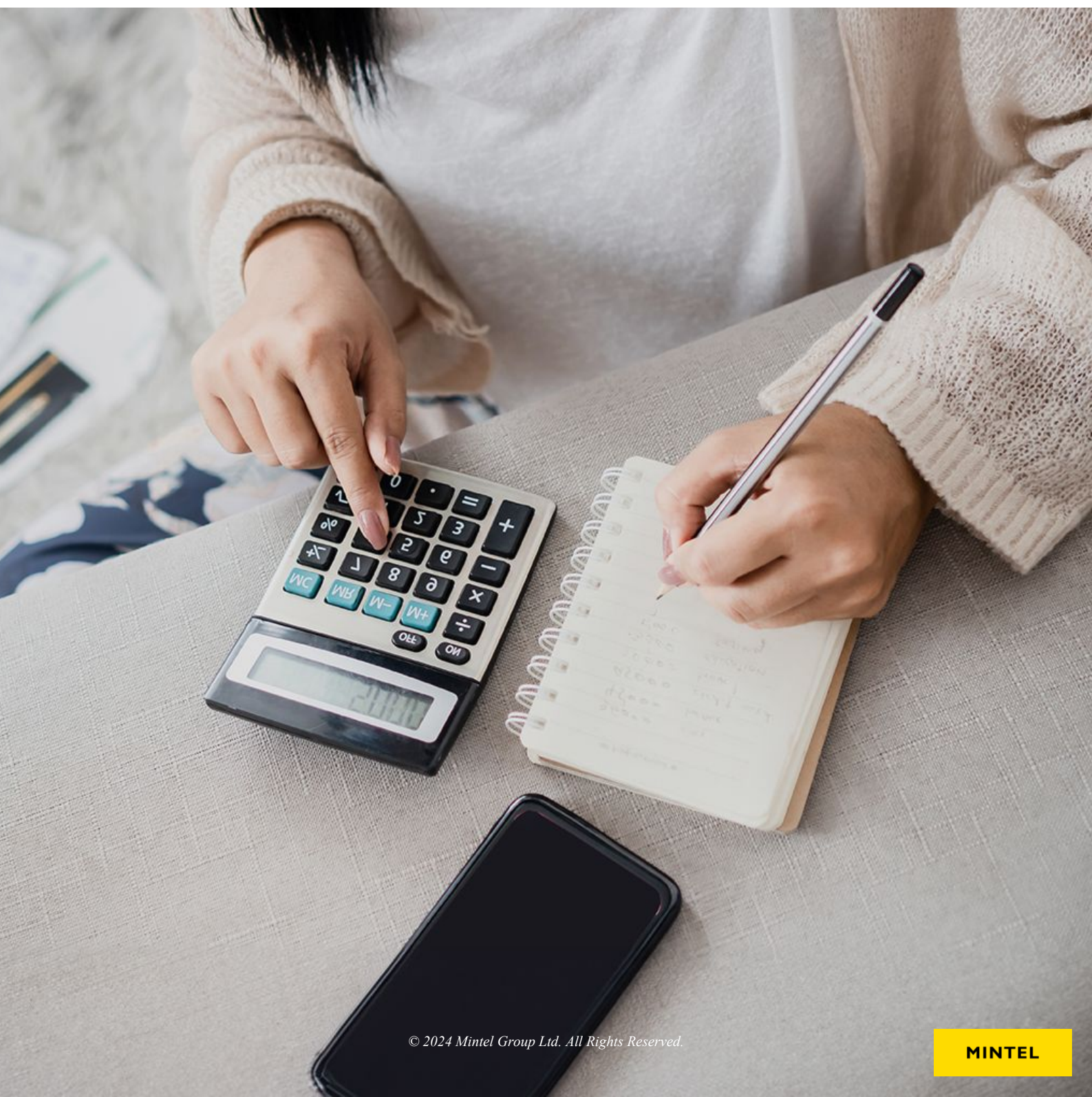


CURRENT ACCOUNTS – UK – 2023

Although overall current account satisfaction is high, consumers are shopping around and will be enticed to switch by cash joining bonuses and higher savings rates.



Adrian Reynolds,
Principal Analyst



Current Accounts - UK - 2023

This report looks at the following areas:

- Trends in current account ownership
- Competitive landscape of the UK current account market
- Consumer satisfaction with current accounts and features
- Switching behaviour and motivators to switch account providers
- Innovation and advertising strategies
- Impact of the cost-of-living crisis



Although overall current account satisfaction is high, consumers are shopping around and will be enticed to switch by cash joining bonuses and higher savings rates.

Overview

Many consumers are turning to overdrafts to navigate the rising cost of living. It is important banks provide guidance on managing finances and raise awareness of Open Banking functionality so people can view all their accounts in one place, while also gauging likelihood of approval for credit products.

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Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview

Opportunities for the current account market

- Entice switchers with higher interest on account balances
- Support younger customers with overdraft deals to boost consumer loyalty
- Boost fee-paying accounts amongst younger people with a focus on entertainment subscriptions

Market dynamics

- Current account numbers exceed 77 million
 - Graph 1: estimated number of current accounts, 2019-23
- Traditional providers continue to dominate the market
 - Graph 2: current account providers by customer use of main and other current accounts, 2023
- Current account switching activity has been high in 2023
 - Graph 3: number of switches per month using the CASS, 2021-23
- Bank branch closures continue as footfall declines
 - Graph 4: bank and building society numbers, 2016-22

What consumers want and why

- Most still need convincing over the benefits of fee-paying current accounts
- Satisfaction is high overall but a lack of movement on interest rates could have a detrimental impact
- Cash welcome bonuses have driven switching but higher rates on account balances are now just as important
- There is strong opportunity to entice younger consumers with a quarter planning to switch their main accounts
 - Graph 5: current account switching activity in the last 12 months, by age, 2023
 - Graph 6: intention to switch main current account in the next 12 months, by age, 2023
- Spending abroad and superior app performance have driven the use of additional current accounts
 - Graph 7: use of additional current accounts for spending abroad, by age, 2023
 - Graph 8: use of additional accounts due to superior app performance, by age, 2023
- People feel they have the best account for their circumstances but many are still shopping around

Innovation and marketing

- Advertising expenditure on current accounts falls after a strong 2021/22
 - Graph 9: total above-the line, online display and direct mail advertising expenditure on current accounts, 2018-23
- Banks' cash switching incentives continue to attract new customers

MARKET DYNAMICS

Market size

- 2023 sees an increase in current account numbers
 - Graph 10: estimated number of current accounts, 2019-23
- Rise in multiple account ownership drives current account numbers

Market share

- Nearly three quarters have accounts with the Big 4
 - Graph 11: current account ownership, by type of provider, 2023
- Security of established bank brands ensures high ownership levels
- Lloyds Banking Group takes the highest share of main current accounts
- Digital bank customers remain focused on additional accounts

Macro-economic factors

- Inflation declines in the first half of 2023 but remains a concern for consumers
 - Graph 12: CPI and CPIH inflation, 2016-23
- Bank of England raises base rate more than a dozen times since start of 2022
 - Graph 13: Bank of England base rate changes, 2017-23
- Overdraft use will grow despite the relatively high costs
 - Graph 14: interest rates on unsecured credit products, 2020-23
- Food and drink inflation is the primary concern for consumers – but interest rates are moving up the agenda
 - Graph 15: issues affecting consumers over the last two months, 2023
- Consumer sentiment: the recovery has begun...
 - Graph 16: financial wellbeing index, 2016-23
- ...and people feel more confident about their financial prospects
 - Graph 17: financial confidence index, 2016-23

Channels to market

- Switching activity through CASS has been high in 2023
 - Graph 18: number of switches per month using the CASS, 2021-23
- Cash incentives continue to drive switching activity but savings rates are rising in importance
- Bank branch numbers continue to decline as customers turn to digital channels
 - Graph 19: bank and building society numbers, 2016-22
- Declining branch numbers will increase the need for strong digital channels

Regulatory and legislative changes

- FCA's Consumer Duty comes into effect
- The Consumer Duty focuses on four key outcomes

- Legislation seeks to protect access to cash as branches close
- Government and regulators look to support growth of Open Banking

WHAT CONSUMERS WANT AND WHY

Current account ownership

- Current account ownership is near universal in the UK
 - Graph 20: current account ownership, 2023
- Multiple account ownership has grown in the last year
 - Graph 21: current account ownership, 2019-23
- Older demographics are the most likely to have only one current account
 - Graph 22: current account ownership, by age, 2023
- Digital banks can offer joint accounts for younger demographics
 - Graph 23: joint account ownership, 2023

Types of current accounts

- Most people still need convincing to move beyond standard free current accounts
 - Graph 24: type of current account held, 2023
- Demonstrate the potential net savings of fee-paying accounts
- Young consumers are an underdeveloped market for fee-paying accounts
 - Graph 25: ownership of fee-paying accounts, by age, 2023
- Tailor fee-paying accounts and rewards towards younger lifestyles to boost take-up

Current account satisfaction

- High satisfaction levels increase the need for cash switching incentives
 - Graph 26: overall satisfaction with main current accounts, 2023
- Satisfaction could be tested through the cost-of-living crisis
- Scope to improve satisfaction with interest rates on current account balances
 - Graph 27: satisfaction with main current account, by feature, 2023
- There is no room for complacency despite relatively high overall satisfaction
- Continued branch closures risk being a driver of dissatisfaction
 - Graph 28: satisfaction with access to bank branches, by age, 2023

Key driver analysis of current account satisfaction

- Consumers are not satisfied with banks' sustainability and it will only grow in importance
- Promote strong customer service and improve deals on interest rates

Important factors when switching accounts

- Interest rates on account balances are now as important as cash joining incentives
 - Graph 29: important factors when considering switching main current account, 2023

- Higher interest deals on balances could be used to drive reward account ownership
 - Graph 30: importance of interest rates on account balances when switching current account, 2023
- Deals on overdrafts and loans will grow in importance if the cost-of-living crisis persists in 2024
- Under-35s are more inclined to consider environmental issues
 - Graph 31: importance of sustainability tools when switching current account, 2023
 - Graph 32: importance of bank's environmental record when switching accounts, 2023
- Highlight investment in renewable energies to attract green customers

Switching activity

- Strong opportunity to entice younger consumers with over a quarter switching accounts in the last year
 - Graph 33: current account switching activity in the last 12 months, by age, 2023
- Focus advertising on younger consumers to drive switching activity
 - Graph 34: intention to switch main current account in the next 12 months, by age, 2023

Reasons for using additional accounts

- Spending abroad has driven additional accounts but app performance is key for under-25s
 - Graph 35: use of additional accounts due to superior app performance, by age, 2023
 - Graph 36: use of additional current accounts for spending abroad, by age, 2023
- Digital banks are drawing in young Brits with strong app design and performance

Attitudes towards current accounts

- Most people feel they have the best current account for their circumstances
 - Graph 37: attitudes towards current accounts, 2023
- Offer interest-free buffers and lower interest overdrafts on reward accounts to drive loyalty
 - Graph 38: additional use of overdraft due to the rising cost of living, by age, 2023
- Raising awareness of Open Banking functionality could drive engagement
 - Graph 39: viewing all financial accounts within the online/mobile banking of main current account, by age, 2023
- Offer virtual card-only accounts to younger consumers
 - Graph 40: use of mobile payments linked to main current account, by age, 2023
- There is opportunity to boost fee-paying accounts with streaming services
 - Graph 41: interest in fee-paying current accounts that include media subscriptions, by age, 2023

INNOVATION AND MARKETING TRENDS

Competitive strategies

- Banks continue to offer cash switching incentives to attract new customers...
- ...but interest rates are playing a growing role
- Overdraft offers could become more enticing
- Bank closures continue while Nationwide reaffirms promise to keep branches open for cost of living support

- Nationwide reveals updated branding
- Metro Bank secures additional investment
- More banks are divesting from fossil fuels but positive action is needed on climate change

Launch activity and innovation

- NatWest enhances its free credit rating services for current account customers
- Lloyds Bank adds Disney+ to reward account
- HSBC partners with Mastercard for card recycling scheme
- After rapid current account growth, Chase looks to credit products
- Monzo consumer lending drives first monthly profit
- Monzo expands offering with savings and investments
- Revolut updates app and launches new Ultra tier
- Digital bank Kroo expands offering and seeks further investment
- Starling makes children's card and app Kite available for free

Advertising and marketing activity

- Current account advertising declines after a strong 2021/22
 - Graph 42: total above-the line, online display and direct mail advertising expenditure on current accounts, 2018-23
- Advertising from digital banks focuses on account brand building and cards
- Debit card advertising leads the way in 2022/23
 - Graph 43: total above-the line, online display and direct mail advertising expenditure on current accounts, by spend category, 2018-23
- The Big 4 banking groups are focused more on brand building than current account advertising
- Nationwide leads the way for current account advertising in 2022/23
 - Graph 44: top five advertisers of above-the-line, online display and direct mail advertising expenditure on current accounts, 2022/23
- CASS releases TV advertising campaign in Q1 23
- Nationwide highlights its commitment to keep branches open in new TV campaign
- HSBC focuses on promoting its Global Money account

APPENDIX

Report scope and definitions

- Market definitions
- Abbreviations and Terms

Methodology

- Consumer research methodology
- Market size methodology
- Market size methodology data

- Key driver analysis – methodology
- Key driver analysis – methodology data
- Nielsen Ad Intel Coverage

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